XI

BONUS SHARES

July, 1918

A Deluge of Bonus Shares—The Effect on the Market—A Problem in Financial Psychology—The Capitalisation of Reserves—The Stock Exchange View—The Issue of Bonus-carrying Shares—The Case of the A.B.C.—A Wiser Variation from Canada—Bonus Shares on Flotation—An American Device—Midwife or Doctor?—The Good and Bad Points of Both Systems.

OF the many kinds of Bonus shares, the one which has lately been most prominent in the public eye is that which is produced by the capitalisation of a reserve fund. There has lately been a perfect epidemic of this kind of Bonus share, which is almost as plentiful as the caterpillars in the oak trees and the green fly on the allotments. The reason for this outburst is apparently the anxiety which the directors of many prosperous industrial companies feel lest the high dividends which good management and sound finance in the past have enabled them to pay should lay them open to misunderstanding and attack by well-meaning people who think that it is a crime for a company to earn more than a certain percentage on its capital,

This explanation was very frankly given by the